Ekspo Faktoring A.S.

Update

Ratings

National

Long-Term Rating	BBB+(tur)

Sovereign Risk

Foreign-Currency Long-Term IDR	BB+
Local-Currency Long-Term IDR	BB+

Outlooks

National Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Ekspo Faktoring A.S.

	31 Dec 11	31 Dec 10
Total assets (USDm)	126	145
Total assets (TRYm)	241	224
Total equity (TRYm)	67	74
Operating profit (TRYm)	13	15
Published net income (TRYm)	11	12
Comprehensive income (TRYm)	11	12
Operating ROAA (%)	5.7	8.0
Operating ROAE (%)	18.9	22.0
Internal capital generation (%)	15.8	-8.8

Key Rating Drivers

Differentiated From Peers: Ekspo Faktoring A.S. (Ekspo)'s relative standing among peers is supported by its strong profitability, solid capitalisation, track record of good asset quality, as well as the improving diversification of its funding sources.

Ekspo provides a variety of international trade finance services to its customers, in addition to traditional domestic factoring services. Ekspo focuses on medium- and large-sized companies.

Lower Operating Profitability: Ekspo's receivables growth remained at 8% in 2011 slightly below the Turkish factoring sector average of 11%. Operating profitability declined in 2011 mainly as a result of narrowing margins, coupled with an increase in loan impairment charges, however, the contribution of fees and commissions remained strong. A possible increase in market interest rates would support profitability, due to positive interest repricing gaps between assets and liabilities.

More Efficient Than Peers: Ekspo is much more efficient than its peers, and benefits from a low-cost base driven by large-ticket transactions that are created through its head office.

Historically Good Asset Quality: Ekspo's asset quality is better than its peers' and the factoring sector in general, with impaired receivables as a percentage of gross receivables at 1.7% at end-2011 (2010: 1.3%), compared with the sector average of 3.5% (2010: 4.1%). The company maintains 100% reserve coverage for its impaired receivables.

Diversifying Funding Base: Ekspo is mainly funded by asset-backed short-term bank borrowings. The company has diversified its funding sources by issuing domestic bonds and through arranging external financing facilities. In 2011 Ekspo gained greater access to funding by international banks, including the financing supported by Export Credit Agency (ECA) guarantees.

Improving diversification of its funding sources and an extension of the maturity profile of its funding, together with solid capitalisation, provide Ekspo with a stable base to support growth.

Comfortable Liquidity: In managing its liquidity, Ekspo uses cash flow and liquidity gap analysis. The longer average maturity of its liabilities than receivables and high equity base provides comfort in managing its liquidity.

Solid Capitalisation: Ekspo maintains a solid capital position, with equity at 28% of assets at end-2011, providing the company with a considerable cushion against shocks. Ekspo has an internal ceiling for factoring receivables not to exceed 5x of total equity, much lower than the regulatory ceiling of 30x. Ekspo's factoring receivables/equity ratio was 3.5x (2010: 2.9x) below both its internal and the regulatory ceiling.

What Could Trigger a Rating Action

Stable Relative Creditworthiness: The National Long-Term Rating of Ekspo and the Outlook reflect its currently comfortable liquidity position, moderate leverage and sound performance. However, the rating also takes account of the company's limited scale and franchise in the Turkish financial system, and potential competitive pressures from bank-owned factoring companies. This results in a limited probability for a change in the ratings in either direction.

Related Research

Turkey (November 2011)

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Related Criteria

Global Financial Institutions Rating Criteria (August 2011)

Finance and Leasing Companies Criteria (December 2011)

National Ratings Criteria (January 2011)